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Function No. 50000 —Payroll Accounting	TOPIC	RETIREMENT—VRS and ORP
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Overview

Introduction

The Virginia Retirement System (VRS) administers four different defined benefit retirement plans for eligible employees:

- VRS Retirement Plan (VRS)
- State Police Officers' Retirement System (SPORS)
- Judicial Retirement System (JRS)
- Virginia Law Officers' Retirement System (VaLORS)

Full time, salaried employees and faculty, and part-time classified employees working at least 20 hours per week are eligible to participate in one of the VRS retirement plans. Part-time employees are limited to participation in the regular VRS retirement plan. Participants receive one month's service credit for each month in which they receive certain types of pay.

Optional Retirement Plans (ORPs)

ORPs are defined contribution retirement plans offered as an alternative to VRS retirement to faculty of higher education institutions and to certain political appointees. Faculty have the option to participate in any of the following ORPs:

- Teacher Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF)
- Fidelity Investments

Political appointees have the option of participating in the ORP for political appointees.

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Overview, Continued

Contributions

CIPPS calculates VRS, SPORS, JRS, VaLORS, and ORP retirement contributions on regular pay, payments for workers' compensation, VSDP payments, and Northern Virginia differentials. Additionally, retirement may be calculated on limited permanent special pays, based on the unique requirements of certain agencies. Retirement is not calculated on overtime. Retirement is processed as an agency-paid deduction.

Retirement Health Credit

The retirement health credit (retiree credit) is an agency-paid deduction that reduces the cost of health insurance for retirees. VRS administers the retiree health credit program.

Long-Term Disability

The long-term disability deduction is an agency-paid deduction that funds long-term disability benefits under the Virginia Sickness and Disability Program.

VRS Service Credit Buyback Program

The VRS Service Credit Buyback Program allows eligible VRS members to purchase service credit lost during periods of leave without pay and/or military leave, etc. The Buyback program is available to participants of the four retirement plans administered by VRS. Employees participating in the Buyback program can choose to purchase service credit on a pre-tax or post-tax basis, subject to rules established by VRS. *Only those who contract prior to July 2004 can buy back via payroll*.

LWOP

Generally, employees on leave without pay are not eligible for retirement contributions and do not earn service credit while on leave. Refer to CAPP Topic No. 50510, *Unpaid Leaves of Absences*, for processing procedures.

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Retirement - CIPPS Data Entry

Retirement Plan Codes

Retirement Plan Codes are entered on HMCU1, which automatically establishes the appropriate retirement deduction in conjunction with the retirement credit, long-term disability, and group life insurance deductions (see CAPP Topic No. 50425, *Group and Optional Life Insurance*) on H0ZDC.

The Buyback Tax Code must be entered along with Buyback Retirement Plan Codes to control whether deduction 017 (post-tax buyback) or deduction 043 (pre-tax buyback) is set-up on H0ZDC. If the buyback tax code is not entered with buyback retirement plan codes, the fatal error message "INVALID RETIREMENT PLAN CODE" is displayed and the transaction is not completed. Valid retirement code values and the corresponding deductions set-up on H0ZDC follow:

NOTE: Applicable rates may change between fiscal years. These rates are disseminated each year via a fiscal year end Payroll Bulletin.

VRS Retirement Plan Codes

	HMCU1		Н02	ZDC
	Retirement	Tax		
Description	Code	Code	Deduction #	Description
Regular	VS	N/A	015	RET CRDT
Buyback	BV	0,1	016	RETIRMNT
			020	GRPINSR
			036	LT DISAB
Buyback	BV	1	017	BUYBACK
Buyback	BV	0	043	PREBUYBK

ORP Retirement Plan Codes

	HMCU1		Н02	ZDC
	Retirement	Tax		
Description	Code	Code	Deduction #	Description
Fidelity Invest.	FI	N/A	009	FID INVS
TIAA/CREF	TA	N/A	014	TIAACREF
	Both ORP	N/A	015	RET CRDT
	Codes		020	GRPINSR

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Retirement - CIPPS Data Entry, Continued

Retirement Plan Codes, continued

Judicial Retirement Plan Codes

	HMC	U1	Н02	ZDC	
	Retirement	Tax			
Description	Code	Code	Deduction #	Description	
Judicial 1,2	J1,J2	N/A	015	RET CRDT	
			016	RETIRMNT OIS RET CRDT	
Buyback	B1,B2	0,1	020	GRPINSR	
		1	017	BUYBACK	
		0	043	PREBUYBK	

VaLORS Retirement Plan Codes

	HMCU1		Н0Z	ZDC
	Retirement	Tax		
Description	Code	Code	Deduction #	Description
VaLORS	LS	N/A	015	RET CRDT
Buyback	B4	1,0	016	RETIRMNT
			020	GRPINSR
	_		044	SP LTD
Buyback	B4	1	017	BUYBACK
		0	043	PREBUYBK

State Police Retirement Plan Codes

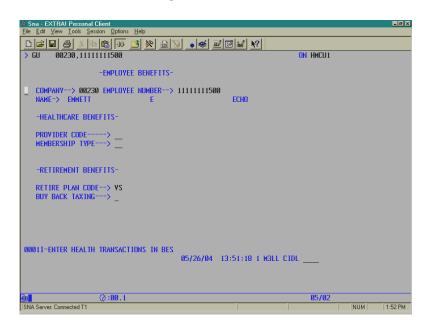
	HMCU1		Н07	ZDC
	Retirement	Tax		
Description	Code	Code	Deduction #	Description
State Police	SS	N/A	015	RET CRDT
Buyback	В3	1,0	016	RETIRMNT
			020	GRPINSR
			044	SP LTD
Buyback	В3	1	017	BUYBACK
		0	043	PREBUYBK

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Retirement - CIPPS Data Entry, Continued

Online Data Entry

Access the Employee Benefits screen (HMCU1) as instructed in CAPP Topic No. 50110, *CIPPS Navigation*.



RETIREMENT PLAN CODE

Enter the appropriate retirement plan code from the preceding and press Enter. CIPPS automatically generates the corresponding deductions on H0ZDC.

BUY BACK TAXING

If a buy back retirement plan code is entered, enter the value designating post-tax or pre-tax election.

Value	Description	
0	Establishes pre-tax buyback deduction 043 on H0ZDC.	
1	Establishes post-tax buyback deduction 017 on H0ZDC.	

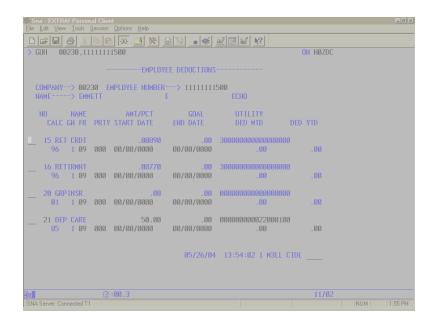
Note: The Buy Back Taxing field must be completed in conjunction with any one of the retirement buy back codes BV, B1, B2, B3 or B4. If the 0 or 1 is not entered, the fatal error message "INVALID RETIREMENT PLAN CODE" displays and the transaction is not completed.

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Retirement - CIPPS Data Entry, Continued

H0ZDC

This screen shows the deduction set-up based on Regular VRS Retirement.



VRS Required Data

Employee Job Description H0BUO To provide VRS with adequate information to ensure the correct handling of retirement contributions for contract employees such as faculty, the employee's Contract Length and Number of Pays must be established. This information is entered on the Employee Job Description screen (H0BUO). Refer CAPP Topic No. 50305, *New Employee Adds*, for instructions on completing this screen.

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VRS Retirement Reconciliation

Purpose of Monthly Reconciliation

Agencies must reconcile VRS contributions monthly. The following deduction categories are reconciled in the same manner during this process:

- Retirement
- Group insurance
- Insurance health care credit (retiree credit)
- Long-term disability

Reconciliation Reports

The following reports are used in the reconciliation process:

Report	System	Description
U016, VRS	CIPPS	Verify that all eligible employees are being reported
Contribution		properly for retirement credit – Compare with VRS-
Worksheet		50 Report.
U044, VRS	CIPPS	Produced only when the agency has a void check or
Discrepancy Report		the Creditable Compensation, Base Life, or Health
		Care Creditable Compensation times the effective rate
		does not equal contributions reported. Lists
		employees with differences that may require research.
U046, Company	CIPPS	Error listing that may indicate potential reporting
Summary of		problems.
Retirement		
Deduction Errors		
Statement of	VRS	Reports contributions received and the monthly
Account		payroll reports processed during the past month. This
(VRS-50)		report identifies differences between contributions
		and payroll data processed. Provides a record of
		adjustments received and processed. Gives the
		employer another source to use in reconciling
		accounts and activity.
Membership Report	VRS	Use to report salary changes, to add or drop a member
(VRS-1500)		or to place a member on leave without pay.
Monthly	VRS	Summarizes the changes VRS made to the original
Membership		report and the resulting monthly totals.
Statement		
(VRS-1500R)		

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VRS Retirement Reconciliation, Continued

Report	System	Description
Interim Membership	VRS	Summarizes the changes VRS made to the
Statement		original report and includes a VRS Suspense
(VRS-1500I)		List for members that requiring correction.

VRS Monthly Reconciliation Process

Activity for the reconciliation period is entered on the Reconciliation Worksheet developed by VRS. The worksheet is divided into three parts, which agencies complete using the reports listed above:

Part	Description			
Α	CARS expenditure transactions for VRS contributions are reconciled to			
	Monthly Contribution Worksheet (U016). The VRS Discrepancy Report			
	U044 and the Company Summary of Retirement Deduction Error should also			
	be reviewed explanation of discrepancies existing between amount paid and			
	the amount due.			
В	From the Statement of Accounts (VRS-50) list those transactions for the			
	month being reconciled. This will assist the agency in identifying			
	discrepancies for the current reporting period. A Membership Report (VRS-			
	1500) should be completed for any changes not reflected on the VRS-50 for			
	the reconciliation month.			
C	Once the agency receives a "cleared" VRS-1500R, Part C is completed. This			
	section identifies the total amount of the adjustment to bring the agency's			
	account into balance for the reporting period. An IAT for the adjustment			
	amount must be prepared and forwarded to VRS, along with a copy of the			
	reconciliation worksheet to adjust VRS records.			

Reference the VRS Employer Payroll Manual for more information on the monthly reconciliation process and for a copy of the Reconciliation Worksheet or visit their web site at www.varetire.org.

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Internal Control

Internal Control

The agency must ensure that retirement, retirement credit, group insurance and long-term disability and other corresponding retirement plan deductions are established properly in CIPPS. Ensure that the monthly reconciliation of retirement plan contributions is performed timely and that any IAT adjustments are processed. Maintain employee enrollment information and any supporting documentation for audit purposes.

Records Retention

Time Period

Retain payroll reports for five years or until audited, whichever is later.

Contacts

DOA Contact

Director, State Payroll Operations

Voice: (804) 225-2245

E-mail: Payroll@doa.virginia.gov

Payroll Business Analyst/Trainer

Voice: (804) 225-3120 or (804) 225-3079

E-mail: Payroll@doa.virginia.gov

Subject Cross References

References

CAPP Topic No. 50110, CIPPS Navigation.

CAPP Topic No. 50305, New Employee Adds

CAPP Topic No. 50425, Group and Optional Life Insurance

CAPP Topic No. 50510, Unpaid Leaves of Absence